

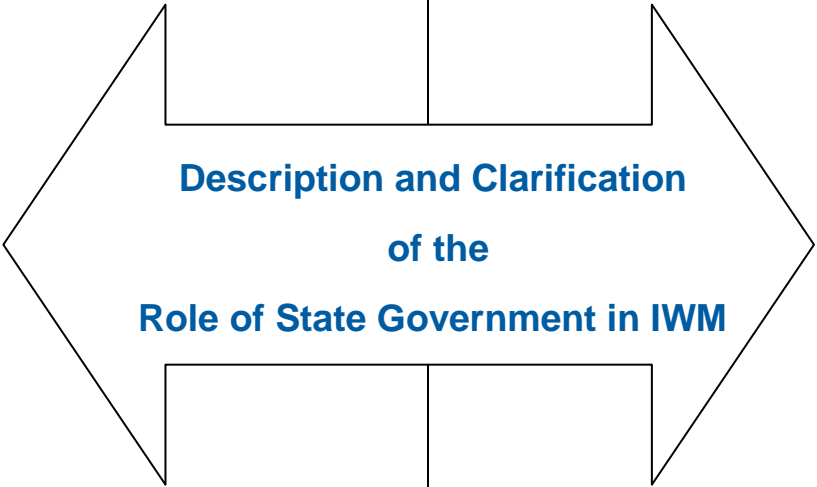
# Update 2013 Finance Planning Framework

(Shown integrated with Volume 1)

FOR USE DURING JUNE 21 PUBLIC ADVISORY COMMITTEE MEETING ONLY - This is a draft approach for building the Update 2013 financing planning framework into Volume 1 of Update 2013. The text below each heading is instructional text, to describe the purpose and general idea of each section. It will not necessarily appear in the chapter. Ties to the storyboard are in red.

The last row provides an indication of probability that each respective section of the finance planning framework will be completed for Update 2013. Sections that are not completed for Update 2013 will be recommended for advancement or completion for Update 2018. The definition of “completed “ involves three primary considerations: (1) a method or process is in place for producing desired deliverables (including frameworks for stakeholder involvement, data collection capability, etc); (2) analytical tools required to produce desired trade-offs analysis are in place; (3) some level of stakeholder agreement occurs. An operational definition of “completed” is that all three dimensions converge to support findings and recommendations with reasonable levels of uncertainty. Green = Higher Probability of Completion for Update 2013; Yellow = Moderate Probability; and Red = Lower Probability.

Chapter 1 — Introduction	Chapter 2 — California Water Today	Chapter 3 — Imperative to Invest (in Innovation and Infrastructure)	Chapter 4 — State and Federal Companion Plans
<p><b>Definition and Scope of Integrated Water Management; Finance Planning Framework</b></p> <p>This section will describe:</p> <ol style="list-style-type: none"><li>(1) The definition and scope of integrated water management (IWM).</li><li>(2) How many policymakers and stakeholders have expressed a need for an IWM finance planning effort.</li><li>(3) How California is expected to face significant challenges surrounding IWM financing due to the near full allocation of existing bond funds, protracted recession, deferred investment, etc.</li><li>(4) The intended applications of the finance planning framework.</li></ol> <p>IMPORTANT MESSAGE - Emphasis on the value of the storyboard to this and other future IWM finance efforts (as a useful framework for working through the layers of issues and complexities required to get to IWM funding and finance recommendations)</p> <ul style="list-style-type: none"><li>• A detailed description of the Finance Plan storyboard.</li><li>• An explanation of the storyboard’s development</li><li>• An illustration of how the finance planning framework reflects the storyboard.</li></ul>	<p><b>Resource Management Funding History</b></p> <p>This section will provide a description of historical federal, State, and local IWM investments as context for planning future State IWM investment. It will also include a variety of data and information to provide a full understanding of how we got to where we are today (e.g. debt levels, funding sources, administrative constraints, etc).</p> <p><b>State Government IWM Spending Summary</b></p> <p>This subsection contains a generalized characterization of State IWM spending from fiscal years 2000/2001 through 2011/2012 using the categories developed in storyboard component 2 (e.g innovation and infrastructure). It will also include contextual messages as necessary to help provide a full enough understanding to make informed decisions.</p>	<p><b>Cost of Limited or Forgone Investment</b></p> <p>This section includes a description of the implications of very limited investment in IWM (e.g. that may not even begin to implement activities that are considered critical or high-priority). Implications or resulting conditions can be expressed in terms of environmental, economic, and social effects of deferred implementation; forgone opportunities or benefits; and other unfavorable consequences.</p>	<p><b>Existing Finance Strategies</b></p> <p>This section will provide a narrative regarding the disintegrated, constraining and complex nature of current State IWM financing as observed while synthesizing and integrating companion plans.</p> <p>It will also describe incidental water-related benefits occurring as a twofer from various programs where water management is not the primary objective (e.g. land management, pesticide research, etc).</p>
<b>[STORYBOARD COMPONENTS 1, 2]</b>	<b>[STORYBOARD COMPONENTS 2, 3, 4, 7]</b>	<b>[STORYBOARD COMPONENT 5, 8]</b>	<b>[STORYBOARD COMPONENT 5]</b>
		Qualitative Only	



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Chapter 5 — Managing an Uncertain Future	Chapter 6 — Informed and Transparent Decision Making	Chapter 7 — Implementation Plan	Chapter 8 — Finance Planning Framework
<p><b>Finance/Economic Scenarios</b></p> <p>In order to develop practical decision support for future State IWM activities, many assumptions must be made about future conditions. The framework will include a method for articulating priorities at different scales (regional and statewide) and under different sets of assumptions about the future.</p> <p>Assumptions and, in some cases, estimates will be made regarding key drivers, such as potential future funding levels, future climate expectations, planning horizons and perhaps more, as deemed relevant by Water Plan participants.</p> <p>Other important assumptions about future finance scenarios could be based on differing levels of future debt. The scenarios could range from a <i>Higher Debt Scenario</i> (heavy borrowing for future activities) to a <i>Lower Debt</i> future scenario.</p>	<p><b>Finance Decision Support System; Business Needs and Strategy</b></p> <p>The Update 2013 finance planning framework and recommendations will be based on the best available data, tools, models and subject matter expert opinion. Many technical capabilities will require continued development and refinement in order to increase uniformity, accuracy, quantitative analysis and comparability of information and approaches; advance scientific understanding; and generally reduce uncertainty. A partial list of uncertainties to be addressed in future Water Plan Updates is show below:</p> <ul style="list-style-type: none"><li>• Co-dependence of activities</li><li>• Systemic analysis and optimization</li><li>• Standardization of methods, information and estimates</li><li>• Identification of leveraging opportunities, return on/value of investments and diminishing returns</li><li>• Assigning economic value to environmental assets and services</li><li>• Avoidance of double counting of costs</li></ul>	<p><b>Recommendations</b></p> <p>This section includes recommendations, based on preceding data and findings, on the following topics:</p> <ul style="list-style-type: none"><li>• Governance.</li><li>• Administration of State funding.</li><li>• Assurances that investment produce desired outcomes.</li><li>• Approach for prioritizing future State investment.</li><li>• Adaptive management (levels and methods for funding adaptive management).</li><li>• Opportunities for leveraging or otherwise improving the way the State government plans and implements IWM.</li><li>• Future analytical models and frameworks that will help quantify tradeoffs.</li><li>• Improved alignment of planning, State policy-making and State regulation</li><li>• Other mechanisms associated with funding and implementing the IWM activities/services that are determined to be best administered by the State (under Storyboard Component 5).</li><li>• Other</li></ul> <p><b>Qualification of Recommendations</b></p> <p>This subsection includes a qualitative description of tradeoffs associated with each recommendation. It will clarify the rationale and potential risks or undesirable effects associated with the findings and recommendations.</p>	<p><b>Approach for Prioritizing State IWM Investment</b></p> <p>The primary goal of this section is removal of implementation barriers that occur from a lack of clarity, certainty, and/or consistency in State IWM finance policy and practices. This includes federal and local implementers; where State cost-sharing is occurring. This section will include a description of interpretations of existing frameworks as well a new concepts for apportioning State investment in multi-objective solutions.</p> <p><b>Estimated Cost of Future IWM Activities</b></p> <p>This section speaks to the fundamental question: How much funding is anticipated to be necessary to meet State and regional IWM objectives through the year 2030?</p> <p><b>Available Financing Strategies</b></p> <p>This section will provide a menu of strategies from which recommendations can be drawn. It will list and describe existing and potentially new State funding methods/strategies in the context of use for future State IWM finance. The description will include the most appropriate uses, and tradeoffs, of differing finance options with respect to different types of actions (i.e., infrastructure, innovation, etc.).</p> <p><b>Role of Public Funding</b></p> <p>This subsection will describe the appropriate role of public funding with the goal of clarifying conditions or circumstances that warrant State investment in IWM activities (portions or entire activities).</p>
<b>[STORYBOARD COMPONENT Introduction]</b>	<b>[STORYBOARD COMPONENTS - Supports All]</b>	<b>[STORYBOARD COMPONENT Culmination of All]</b>	<b>[STORYBOARD COMPONENT 5, 6, 7]</b>
<b>Narrative only – no analysis</b>	<b><u>Plan</u> to develop decision supply system in future Updates</b>	<b>Will be published, but constrained by stakeholder agreement/Data and tool limitations</b>	<b>Constrained by stakeholder agreement and by data and tool limitations</b>